



# Department of Justice

United States Attorney Gregory G. Lockhart  
Southern District of Ohio  
CORRECTED AND REVISED

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## **FORMER COMPUTER COMPANY CEO ARRESTED ON CHARGES OF STOCK FRAUD**

DAYTON – Federal agents arrested Michael E. Peppel at his residence on 9520 Cutlers Trace, Washington Township, this morning. Peppel, age 39, is the former Chief Executive Officer of MCSi, Inc., a computer sales company formerly headquartered at 4750 Hempstead Station Road, Dayton, Ohio. A federal grand jury indicted Peppel yesterday in a 26-count indictment alleging stock fraud involving tens of millions of dollars.

Gregory G. Lockhart, United States Attorney for the Southern District of Ohio, Timothy P. Murphy, Special Agent in Charge, Federal Bureau of Investigation, Cincinnati Field Division; Cromwell A. Handy, Special Agent in Charge, Internal Revenue Service Criminal Investigation; Gerald A. O'Farrell, Assistant Inspector in Charge, U.S. Postal Inspection Service and Kenneth D. Israel, District Administrator, Salt Lake District Office, Securities and Exchange Commission, announced the indictment returned yesterday.

The indictment charges Peppel with conspiracy to commit securities fraud, wire fraud and money laundering, in addition to one count of securities fraud, seven counts of filing false SEC reports, two counts of violating of the Sarbanes-Oxley Act of 2002, five counts of mail fraud, and two counts of money laundering.

Peppel was ordered held in custody pending his ability to post a \$250,000 cash bond. Arraignment on the charges is set for Monday, December 18 at 1:30 p.m. before Senior U.S. District Judge Walter H. Rice.

This case stems from Peppel's alleged December 21, 2001 fraudulent sale of 300,000 shares of MCSi stock that netted him more than \$6.8 million in proceeds. The indictment alleges that Peppel orchestrated an elaborate scheme to artificially boost MCSi stock prices between 2000 and 2003 through a series of sham transactions, fabricated accounting entries, falsified purchase orders, invoices, journal entries and manipulation of external auditors and internal computerized accounting programs.

The indictment goes on to allege that Peppel specifically falsified corporate net income in 2001 as \$18,690,000, when the company actually lost \$24,755,630. The indictment additionally claims that Peppel overstated MCSi's revenue by approximately \$28 million in the first quarter of 2002.

This indictment is a result of a four year joint-investigation conducted by agents of the Securities and Exchange Commission, the Internal Revenue Service's Criminal Investigation Division, the U.S. Postal Inspection Service and the Federal Bureau of Investigation.

The indictment seeks forfeiture of a number of Peppel's bank accounts, investment accounts and real estate including his Washington Township, Ohio residence; his 143 acre farm in Waynesville, Ohio; and resort homes located in Melbourne Beach, Florida and Cape Canaveral, Florida.

Securities fraud and conspiracy to commit securities fraud each carries a maximum punishment of 25 years imprisonment. Each of the seven counts of filing false SEC reports carries a maximum sentence of 10 years imprisonment. All other charges have a maximum sentence of 20 years imprisonment.

MCSi called itself North America's premier reseller of advanced integrated computer technology and visual communications products for business, government and educational institutions. MCSi was formerly listed on the NASDAQ stock market, until it was delisted in April 2003. In 2001, the firm's annual sales exceeded \$810 million, it maintained offices at 160 locations, had 50,000 clients and had over 1,300 employees. In 2003 it filed for bankruptcy. The company is presently in liquidation, and its stock is considered worthless.

"Corporate fraud is every bit as corrosive to American society as street crime," Lockhart said. He also commended the efforts of the agents and investigators of the SEC, IRS, U.S. Postal Inspection Service and FBI for their in-depth investigation into this matter, and Assistant U.S. Attorney Dwight Keller, who is prosecuting the case.

An indictment is merely an accusation. Defendants are presumed innocent and the burden remains on the Government to prove in court the defendants are guilty of the crimes alleged in the indictment.

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